

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 NEA-10 IO-13 ISO-00 L-03 FRB-03 OMB-01
ITC-01 SP-02 USIA-06 AGRE-00 AID-05 CIAE-00 COME-00
INR-07 LAB-04 NSAE-00 SIL-01 STR-04 TRSE-00 CIEP-01
CEA-01 /077 W
-----211453Z 127911 /43

R 211215Z JAN 77
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 735
INFO AMEMBASSY BANGKOK
AMEMBASSY DACCA
USMISSION GENEVA
AMCONSUL BOMBAY
AMCONSUL CALCUTTA
AMCONSUL MADRAS

LIMITED OFFICIAL USE SECTION 1 OF 2 NEW DELHI 1019

E.O. 11652: N/A
TAGS: ETRD, EPAP, IN
SUBJECT: UNCTAD JUTE CONSULTATIONS

REF: A) STATE 007242; B) 76 NEW DELHI 15274; C) 76 CALCUTTA
A-27; D) 76 NEW DELHI IN-6085

IN RESPONSE TO QUESTIONS IN REF A, EMBASSY AND CONSULATE GENERAL
CALCUTTA HAVE THE FOLLOWING INFORMATION IN ADDITION TO THAT
PROVIDED IN REFS B, C AND D.

2. JUTE INDUSTRY IN THE INDIAN ECONOMY. OF TOTAL 74 JUTE MILLS,
7 ARE PRESENTLY CLOSED DOWN. SEVERAL MORE MAY SHUT DOWN THIS
YEAR, AND MANY ARE LOSING MONEY. INSUFFICIENT DOMESTIC DEMAND,
DECLINING EXPORTS, AND INCREASINGLY ANTIQUATED EQUIPMENT HAVE BEEN
MAJOR REASONS FOR THIS CRISIS. JUTE IS IMPORTANT INDUSTRY IN
EASTERN INDIA, PROVIDING JOBS FOR SOME 250,000 IN MANUFACTURING
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AND FOR MANY OTHERS IN AGRICULTURE AND SERVICE INDUSTRIES.
FOR THIS REASON GOI IS TRYING TO PREVENT FUTURE MILL CLOSURES.
ALL MILLS ARE IN PRIVATE SECTOR, BUT ONE IS BEING MANAGED BY GOVT.
MINISTRY OF COMMERCE OFFICIAL TOLD EMBOFF THAT GOI INTENDS TO
KEEP EXISTING MILLS IN PRIVATE SECTOR. (ON OTHER HAND, GOI
DISTRUSTS MANY PRIVATE MILL OWNERS.) EIGHT NEW JUTE MILLS ARE
UNDER CONSTRUCTION OUTSIDE WEST BENGAL TO PROVIDE OUTLET FOR JUTE

GROWN IN THESE AREAS, BUT PRODUCTS OF THESE PLANTS WILL BE SOLD DOMESTICALLY. THESE MILLS WILL BE JOINT SECTOR ENTERPRISES (WITH 10 PERCENT GOI OWNERSHIP AS GENERAL RULE).

3. PRODUCTION CONTROLS. IN 1976 WEST BENGAL GOVT REGULATED PRODUCTION OF JUTE GOODS BY MEANS OF AN ENERGY CONTROL ORDER, WHICH PREVENTED MILLS FROM OPERATING THREE FULL SHIFTS. REGULATION HAS BROUGHT DOWN PRODUCTION FROM 96,000 TO 75,000 TONS PER MONTH, BUT UNTIL RECENTLY REDUCED PRODUCTION HAD NOT LED TO DECREASE IN STOCKS OF UNSOLD JUTE GOODS. BUSINESS SOURCE (LUDLOW JUTE) TOLD EMBOFF THAT MOST MILLS TRIED TO GET AROUND 25 PERCENT PRODUCTION CUTBACK. MINISTRY OF COMMERCE OFFICIAL SAID THAT PRODUCTION CONTROLS WERE NO LONGER IN EFFECT.

4. PRICES. GOI SUPPORT PRICES OF BOTH JUTE AND RICE ARE VERY LOW, AND SO RELATIVE MARKET PRICES OF THESE COMMODITIES HAVE BEEN IMPORTANT FOR FARMERS. AS FAR AS RAW JUTE IS CONCERNED, PRODUCTION SEEMS TO DEPEND ON BOTH PRICE OF JUTE AND RELATION OF JUTE PRICE TO PRICE OF RICE. BECAUE OF RELATIVELY LOW PRICE OF RICE IN 1975. THERE WAS A VERY GOOD HARVEST (7.2 MILLION BALES ESTIMATED) IN 1976, ALTHOUGH NOT AS HIGH AS THE GOI HAD ORIGINALLY EXPECTED. THE PRICE OF RAW JUTE IS NOW RELATIVELY HIGH; INDEED IT IS SUBSTANTIALLY ABOVE THE SUPPORT PRICE AT WHICH JUTE IS PURCHASED BY THE JUTE CORPORATION OF INDIA--RS. 135 PER QUINTAL. WHILE MAINTAINING A SUPPORT PRICE SO THAT FARMERS DO NOT SUFFER TOO MUCH, GOVT SEEMS TO REALIZE THAT UNLSS RAW JUTE PRICE IS LOW, PRICE OF JUTE GOODS WILL RISE ABOVE WHAT MARKET CAN SUSTAIN. THUS LONG TERM EFFORTS ARE DIRECTED TO IMPROVING YIELD OF JUTE SO THAT LIMITED OFFICIAL USE

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EVEN IF PRICES ARE KEPT LOW, FARMERS WILL GET HIGHER RETURN FOR SAME AMOUNT OF ACREAGE PLANTED. THERE SEEMS TO BE NO EFFORT TO LIMIT PRODUCTION OF RAW JUTE, THOUGH SOME THINK IT WOULD BE BETTER IF LAND WRE USED FOR PRODUCTION OF FOODGRAINS I STEAD OF JUTE.

5. FUTURE PLANS. IN GENERAL, GOI DOES NOT SEE JUTE INDUSTRY AS PLAYING A LEADING FUTURE ROLE IN NATIONAL DEFVELOPMENT. HOWEVER GOI RECENTLY ANNOUNCED THAT IT WOULD MAKE AVILABLE RS.2.5 BILLION IN LONG TERM LOANS FOR JUTE MILL MODERNIZATION. AS PART OF PROGRAM, INDUSTRIAL DEVELOPMENT BANK OF INDIA IS OFFERING CON-CESSIONAL LOANS AT 7.5 PERCENT INTEREST. OBSERVERS IN EAST INDIA ARE SKEPTICAL THAT THESE MEASURES WILL HAVE MAJOR IMPACT, PARTICULARLY IN VIEW OF ----(CONT....)

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REF: A) STATE 007242; B) 76 NEW DELHI 15274; C) 76 CALCUTTA A-27;

D) 76 NEW DELHI IN-6085

CONTINUING CREDIT SQUEEZE. JUTE INDUSTRY WANTS REMOVAL OR REDUCTION OF EXCISE DUTIES ON JUTE, BUT GOI HAS NOT BEEN RESPONSIVE SO FAR IN VIEW OF ITS HEAVY RELIANCE ON INDIRECT TAXES FOR REVENUE.

6. EXPORTS. JUTE INDUSTRY HERE HAS BECOME LESS EXPORT-ORIENTED. INDIAN JUTE EXPORTS DECLINED FROM 900,000 MT IN 1965-66 TO 450,000 MT IN 1975-76, EXPORT EARNINGS IN 1976-77 ARE EXPECTED TO BE AROUND RS. 2.25 BILLION, COMPARED TO RS.2.5 BILLION LAST FISCAL YEAR. INCREASED COMPETITION FROM BANGLADESH AND THAILAND AND FROM SYNTHETICS HAVE AFFECTED ADVERSELY INDIAN JUTE EXPORT EARNINGS. INDIA PRESENTLY HAS 52 PERCENT OF YARN MARKET IN US, AND THERE IS POSSIBILITY OF INCREASING YARN EXPORTS. DURING THIS FISCAL YEAR, GOI IS PROVIDING EXPORT SUBSIDIES OF 10-25 PERCENT

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OF THE FOB VALUE OF JUTE, BUT IT REMAINS TO BE SEEN WHETHER THIS PROGRAM WILL CONTINUE IN THE 1977-78 FISCAL YEAR BEGINNING THIS APRIL 1. INDIAN JUTE MILLS ASSOCIATION (IJMA) IS CONSIDERING OEPNING NEW CENTERS IN AUSTRALIA, JAPAN AND BELGIUM TO INCREASE EXPORTS THERE.

7. RESEARCH AND DEVELOPMENT. THE JUTE INDUSTRY HAS BEEN FREQUENTLY CRITICIZED FOR HAVING NEGLECTED R&D. AS ONE BUSINESSMAN PUT IT, THE INDUSTRY IS LIMITED IN WHAT IT CAN DIVERSIFY INTO. ONE INSTITUTION IN PARTICULAR, INDIAN JUTE INDUSTRIES RESEARCH ASSOCIATION (IJIRA), HAS BEEN CARRYING OUT JUTE RESEARCH FOR SOME TIME. IT WORKS ON BOTH IMPROVING PRODUCTIVITY OF JUTE GROWING AND MANUFACTURE, AND ON DEVELOPMENT OF NEW PRODUCTS. AMONG PRODUCTS IJIRA HAS DEVELOPED RECENTLY ARE LIGHT WEIGHT COTTON BAGGING, FIRE-RESISTANT FABRICS FOR UPHOLSTERY, AND DECORATIVE FABRICS FOR WALL COVERINGS. MINISTRY OF COMMERCE OFFICIAL SAID THAT OTHER FUTURE POSSIBILITIES FOR JUTE USE ARE IN CONCRETE REINFORCEMENT, BAGS FOR CEMENT EXPORTS, AND LAMINATED GLASS AND FIBERS. HE THOUGHT THAT THERE WERE SIGNIFICANT POSSIBILITIES FOR INCREASED USE OF JUTE IN NON-TRADITIONAL WAYS THAT WOULD BE COMPETITIVE WITH SYNTHETIC PRODUCTS. ON OTHER HAND, LUDLOW JUTE BUSINESS-MAN BELIEVED THAT IJIRA WAS "GOING NOWHERE FAST".

8. INTERNATIONAL FINANCIAL ASSISTANCE. ACCORDING TO MINCOMMERCE OFFICIAL, THE GOI IS INTERESTED IN OBTAINING OUTSIDE FINANCIAL HELP TO CONDUCT MARKET SURVEYS IN DEVELOPED COUNTRIES IN ORDER TO DETERMINE SCOPE FOR NON-TRADITIONAL USES OF JUTE. SUCH INSTITUTIONS AS COMMONWEALTH FUND AND UNDP HAVE ALREADY BEEN APPROACHED. NO EXTERNAL FINANCIAL AID IS NOW GOING INTO MODERNIZATION OF DOMESTIC JUTE INDUSTRY, BUT MINCOMMERCE OFFICIAL THOUGHT THAT COMMON UNCTAD FUND (IF ESTABLISHED) MIGHT HELP MILL MODERNIZATION HERE.

9. JUTE INTERNATIONAL. MINISTRY OF COMMERCE OFFICIAL REITERATED POINT IN REF B THAT GOI WAS NOT INTERESTED IN INCREASING JUTE PRICES WHICH WOULD HURT INDUSTRY, BUT RATHER WANTED TO LIMITED OFFICIAL USE

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HAVE MORE PRICE STABILITY. LUDLOW JUTE SOURCE SAID THAT INDIA'S PRIMARY AIM IN JUTE INTERNATIONAL WAS TO STABILIZE PRICES BETWEEN INDIA AND BANGLADESH. HE NOTED, HOWEVER, THAT BANGLADESH WAS WORRIED ABOUT THE PROBLEM OF PRICE DISCOUNTING- WHO WAS TO CONTROL PRIVATE INDIAN JUTE PRODUCERS AND SELLERS FROM DISCOUNTING? HEAD OF IJIRA HAS BEEN ASSOCIATED WITH DEVELOPMENT OF JUTE INTERNATIONAL, AND PRESUMABLY RESEARCH OF TWO ORGANIZATIONS WOULD BE COORDINATED
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Message Attributes

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